

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Curt Sloss	President	2009
Keith Stetzel	Vice President	2007
Nancy Coffman	Board Member	2008
Jamie Patrick	Board Member	2008
Ed Langgaard	Board Member	2009
Board of Education		
(After September 2007 Election)		
Keith Stetzel	President	2010
Jamie Patrick	Vice President	2008
Nancy Coffman	Board Member	2008
Ed Langgaard	Board Member	2009
Curt Sloss	Board Member	2009
School Officials		
Steve Smith	Superintendent	2008
Joni Rees	District Secretary/Treasurer and Business Manager	2008
Rick Engel	Attorney	2008

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Guthrie Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Guthrie Center Community School District, Guthrie Center, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guthrie Center Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the Guthrie Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,313,020 in fiscal 2007 to \$4,577,772 in fiscal 2008, while General Fund expenditures increased from \$4,480,814 in fiscal 2007 to \$4,831,630 in fiscal 2008. This resulted in a decrease in the District's General Fund deficit balance of \$24,196 in fiscal 2007 to a deficit balance of \$278,054 in fiscal 2008.
- The increase in General Fund revenues was mainly attributable to the District receiving more in state grant revenues as compared to the previous year. The increase in expenditures was due primarily to an increase in expenditures for instruction and support services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Guthrie Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Guthrie Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Guthrie Center Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Guthrie Center Community School District Annual Financial Report

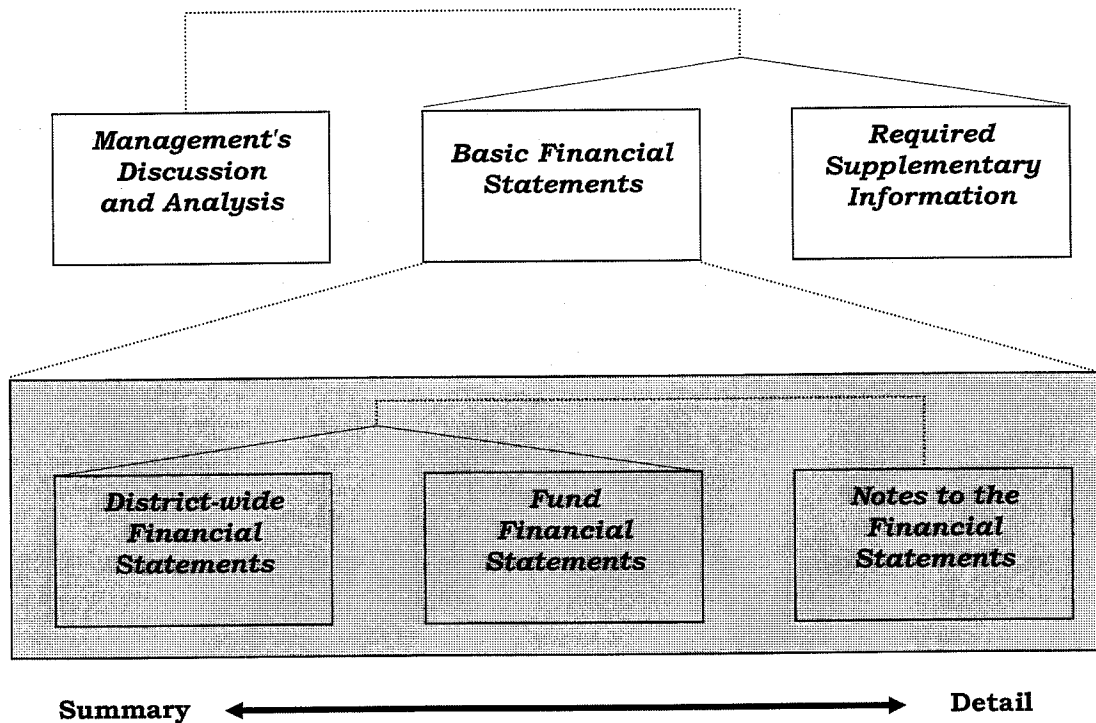


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,413,261	2,519,872	29,772	19,971	2,443,033	2,539,843	-3.81%
Capital assets	4,995,553	4,232,607	9,018	9,977	5,004,571	4,242,584	17.96%
Total assets	7,408,814	6,752,479	38,790	29,948	7,447,604	6,782,427	9.81%
Long-term obligations	470,000	550,000	0	0	470,000	550,000	-14.55%
Other liabilities	2,620,215	2,153,252	16,321	17,308	2,636,536	2,170,560	21.47%
Total liabilities	3,090,215	2,703,252	16,321	17,308	3,106,536	2,720,560	14.19%
Net assets:							
Invested in capital assets, net of related debt	4,525,553	3,682,607	9,018	9,977	4,534,571	3,692,584	22.80%
Restricted	255,653	404,851	0	0	255,653	404,851	-36.85%
Unrestricted	(462,607)	(38,231)	13,451	2,663	(449,156)	(35,568)	1162.81%
Total net assets	\$ 4,318,599	4,049,227	22,469	12,640	4,341,068	4,061,867	6.87%

The District's combined net assets increased by 6.87%, or approximately \$279,201, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$149,198 or 36.85% over the prior year. The decrease was primarily a result of the decrease in the Capital Projects Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$413,588, or 1162.81%. The decrease was due primarily to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change 2007-08
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program revenues:							
Charges for services	\$ 618,253	580,307	128,194	113,193	746,447	693,500	7.63%
Operating grants and contributions and restricted interest	641,007	636,099	139,194	126,935	780,201	763,034	2.25%
Capital grants and contributions and restricted interest	140,340	33,971	0	0	140,340	33,971	313.12%
General revenues:							
Property tax	1,759,146	1,779,711	0	0	1,759,146	1,779,711	-1.16%
Local option sales tax	302,926	278,315	0	0	302,926	278,315	8.84%
Unrestricted state grants	2,135,011	1,868,055	0	0	2,135,011	1,868,055	14.29%
Other	20,443	35,063	44	33	20,487	35,096	-41.63%
Total revenues	5,617,126	5,211,521	267,432	240,161	5,884,558	5,451,682	7.94%
Program expenses:							
Governmental activities:							
Instructional	3,462,551	3,179,864	0	0	3,462,551	3,179,864	8.89%
Support services	1,521,206	1,467,432	3,078	0	1,524,284	1,467,432	3.87%
Non-instructional programs	2,296	2,067	254,525	245,581	256,821	247,648	3.70%
Other expenditures	361,701	380,207	0	0	361,701	380,207	-4.87%
Total expenses	5,347,754	5,029,570	257,603	245,581	5,605,357	5,275,151	6.26%
Change in net assets	269,372	181,951	9,829	(5,420)	279,201	176,531	58.16%
Net assets beginning of year	4,049,227	3,867,276	12,640	18,060	4,061,867	3,885,336	4.54%
Net assets end of year	\$ 4,318,599	4,049,227	22,469	12,640	4,341,068	4,061,867	6.87%

In fiscal 2008, property tax and unrestricted state grants account for 69.33% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$5.88 million of which \$5.62 million was for governmental activities and \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.94% in revenues and a 6.26% increase in expenses. The increase in expenses was related to increases in expenditures in the support services function as well as increases in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$5,617,126 and expenses were \$5,347,754.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,462,551	3,179,864	8.89%	2,373,097	2,121,619	11.85%
Support services	1,521,206	1,467,432	3.66%	1,520,846	1,467,126	3.66%
Non-instructional	2,296	2,067	11.08%	2,296	2,067	11.08%
Other expenses	361,701	380,207	-4.87%	51,915	188,381	-72.44%
Totals	<u>\$ 5,347,754</u>	<u>5,029,570</u>	<u>6.33%</u>	<u>3,948,154</u>	<u>3,779,193</u>	<u>4.47%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$618,253.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$781,347.
- The net cost of governmental activities was financed with \$1,759,146 in property tax, \$302,926 in local option sales tax, \$2,135,011 in unrestricted state grants, and \$11,094 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$267,432 and expenses were \$257,603. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Guthrie Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of a deficit \$309,052, below last year's ending fund balance of a \$282,340.

Governmental Fund Highlights

The District's declining General Fund financial position from a deficit \$24,196 to a deficit \$278,054 is the product of many factors:

- An increase in the amount of state grant revenues received by the District as compared to the previous year led to the increase in General Fund revenues.
- The increase in General Fund expenditures exceeded the increase in General Fund revenues resulting in a decline in General Fund balance.
- The Capital Projects Fund balance decreased from \$61,969 in fiscal 2007 to a deficit balance of \$178,624. The decrease was due primarily to a large increase in expenditures compared to the prior year.

-
- The Physical Plant and Equipment Levy Fund balance decreased from \$88,549 in fiscal 2007 to \$3,980 in fiscal 2008. Although the PPEL Fund revenues were more in fiscal 2008 as compared to fiscal 2007, the increase in fund expenditures when comparing the same two years led to the decrease in fund balance.
 - The Activity Fund balance increased from \$24,268 in fiscal 2007 to \$24,426 in fiscal 2008. A combination of increased revenues exceeding increased expenditures when compared to fiscal 2007 ensured that the Activity Fund would increase in balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$12,640 at June 30, 2007 to \$22,469 at June 30, 2008, representing an increase of 77.76%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie Center Community School District amended its annual budget one time to reflect additional expenditures in the other expenditures function. Total District expenditures were increased by \$600,000 to cover increased expenditures for the track project.

The District's revenues were \$107,728 less than budgeted revenues, a variance of 1.80%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$5,004,571, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$244,489.

The original cost of the District's capital assets was \$8,317,818. Governmental funds account for \$8,258,672 with the remaining of \$59,146 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$98,137 at June 30, 2007, compared to \$961,780 reported at June 30, 2008. The increase was a result of the track project at the school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 58,851	58,851	0	0	58,851	58,851	0.00%
Construction in progress	961,780	98,137	0	0	961,780	98,137	880.04%
Buildings	3,423,641	3,563,328	0	0	3,423,641	3,563,328	-3.92%
Land improvements	334,043	251,555	0	0	334,043	251,555	32.79%
Machinery and equipment	217,238	260,736	9,018	9,977	226,256	270,713	-16.42%
Total	\$ 4,995,553	4,232,607	9,018	9,977	5,004,571	4,242,584	17.96%

Long-Term Debt

At June 30, 2008, the District had \$470,000 in general obligation bond debt outstanding. This represents a decrease of 14.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General Obligation Bonds	\$ 470,000	550,000	-14.55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The one cent tax on sales and services will continue to be a great benefit to the District in maintaining buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Rees, Board Secretary, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 125,494	24,655	150,149
Receivables:			
Property tax:			
Delinquent	34,187	0	34,187
Succeeding year	1,858,549	0	1,858,549
Income surtax	105,708	0	105,708
Accounts	116,086	59	116,145
Due from other governments	173,237	88	173,325
Inventories	0	4,970	4,970
Capital assets, net of accumulated depreciation (Note 4)	4,995,553	9,018	5,004,571
TOTAL ASSETS	7,408,814	38,790	7,447,604
LIABILITIES			
Accounts payable	59,524	0	59,524
Salaries and benefits payable	480,433	13,119	493,552
Loans payable	215,574	0	215,574
Interest payable	3,610	0	3,610
Deferred revenue:			
Succeeding year property tax	1,858,549	0	1,858,549
Other	2,525	0	2,525
Unearned revenue	0	3,202	3,202
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	85,000	0	85,000
Portion due after one year:			
General obligation bonds payable	385,000	0	385,000
TOTAL LIABILITIES	3,090,215	16,321	3,106,536
NET ASSETS			
Invested in capital assets, net of related debt	4,525,553	9,018	4,534,571
Restricted for:			
Beginning teacher mentoring	316	0	316
Salary improvement program	55	0	55
Additional teacher contract day	681	0	681
Additional salary professional development	148	0	148
Professional development	18,640	0	18,640
Phase II	4,117	0	4,117
Market factor	2,256	0	2,256
Market factor incentives	4,128	0	4,128
Early intervention	77,686	0	77,686
Management levy	75,397	0	75,397
Physical plant and equipment levy	3,980	0	3,980
Debt service	43,823	0	43,823
Other special revenue purposes	24,426	0	24,426
Unrestricted	(462,607)	13,451	(449,156)
TOTAL NET ASSETS	\$ 4,318,599	22,469	4,341,068

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,957,473	263,339	471,561	0	(1,222,573)	0	(1,222,573)
Special instruction	843,242	106,742	0	0	(736,500)	0	(736,500)
Other instruction	661,836	247,812	0	0	(414,024)	0	(414,024)
	<u>3,462,551</u>	<u>617,893</u>	<u>471,561</u>	<u>0</u>	<u>(2,373,097)</u>	<u>0</u>	<u>(2,373,097)</u>
Support services:							
Student services	111,899	0	0	0	(111,899)	0	(111,899)
Instructional staff services	189,448	0	0	0	(189,448)	0	(189,448)
Administration services	504,446	0	0	0	(504,446)	0	(504,446)
Operation and maintenance of plant services	507,516	0	0	0	(507,516)	0	(507,516)
Transportation services	207,897	360	0	0	(207,537)	0	(207,537)
	<u>1,521,206</u>	<u>360</u>	<u>0</u>	<u>0</u>	<u>(1,520,846)</u>	<u>0</u>	<u>(1,520,846)</u>
Non-instructional programs	2,296	0	0	0	(2,296)	0	(2,296)
Other expenditures:							
Facilities acquisitions	0	0	0	140,340	140,340	0	140,340
Long-term debt interest	24,927	0	0	0	(24,927)	0	(24,927)
AEA flowthrough	169,446	0	169,446	0	0	0	0
Depreciation(unallocated)*	167,328	0	0	0	(167,328)	0	(167,328)
	<u>361,701</u>	<u>0</u>	<u>169,446</u>	<u>140,340</u>	<u>(51,915)</u>	<u>0</u>	<u>(51,915)</u>
Total governmental activities	5,347,754	618,253	641,007	140,340	(3,948,154)	0	(3,948,154)
Business-Type activities:							
Support Services:							
Administration services	1,233	0	0	0	0	(1,233)	(1,233)
Operation and maintenance of plant services	1,845	0	0	0	0	(1,845)	(1,845)
Non-instructional programs:							
Nutrition services	254,525	128,194	139,194	0	0	12,863	12,863
Total business-type activities	257,603	128,194	139,194	0	0	9,785	9,785
Total	<u>\$ 5,605,357</u>	<u>746,447</u>	<u>780,201</u>	<u>140,340</u>	<u>(3,948,154)</u>	<u>9,785</u>	<u>(3,938,369)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 1,462,258	0	1,462,258
Capital outlay					190,846	0	190,846
Debt service					106,042	0	106,042
Local option sales and services					302,926	0	302,926
Unrestricted state grants					2,135,011	0	2,135,011
Unrestricted investment earnings					11,094	44	11,138
Other					9,349	0	9,349
Total general revenues					<u>4,217,526</u>	<u>44</u>	<u>4,217,570</u>
Changes in net assets					269,372	9,829	279,201
Net assets beginning of year					4,049,227	12,640	4,061,867
Net assets end of year					<u>\$ 4,318,599</u>	<u>22,469</u>	<u>4,341,068</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Manage- ment Levy	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 21,771	0	74,770	71,253	167,794
Receivables:					
Property tax					
Delinquent	27,405	0	627	6,155	34,187
Succeeding year	1,521,873	0	25,000	311,676	1,858,549
Income surtax	105,708	0	0	0	105,708
Accounts	147	115,939	0	0	116,086
Due from other governments	173,237	0	0	0	173,237
TOTAL ASSETS	\$ 1,850,141	115,939	100,397	389,084	2,455,561
LIABILITIES AND FUND BALANCES					
Liabilities:					
Excess of warrants over bank balance	\$ 0	42,300	0	0	42,300
Accounts payable	17,656	36,689	0	5,179	59,524
Salaries and benefits payable	480,433	0	0	0	480,433
Loans payable	0	215,574	0	0	215,574
Deferred revenue:					
Succeeding year property tax	1,521,873	0	25,000	311,676	1,858,549
Income surtax	105,708	0	0	0	105,708
Other	2,525	0	0	0	2,525
Total liabilities	2,128,195	294,563	25,000	316,855	2,764,613
Fund balances:					
Reserved for:					
Debt service	0	0	0	43,823	43,823
Beginning teacher mentoring	316	0	0	0	316
Salary improvement program	55	0	0	0	55
Additional teacher contract day	681	0	0	0	681
Additional salary,					
professional development	148	0	0	0	148
Professional development	18,640	0	0	0	18,640
Phase II	4,117				4,117
Market factor	2,256	0	0	0	2,256
Market factor incentives	4,128	0	0	0	4,128
Early intervention	77,686	0	0	0	77,686
Unreserved:					
Undesignated	(386,081)	(178,624)	75,397	28,406	(460,902)
Total fund balances	(278,054)	(178,624)	75,397	72,229	(309,052)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,850,141	115,939	100,397	389,084	2,455,561

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ (309,052)

***Amounts reported for governmental activities in the
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 4,995,553

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 105,708

Accrued interest payable on long-term liabilities is
 not due and payable in the current period and, therefore,
 is not reported as a liability in the governmental funds. (3,610)

Long-term liabilities, such as general obligation bonds
 are not due and payable in the current period and, therefore,
 are not reported as liabilities in the governmental funds. (470,000)

Net assets of governmental activities (page 13) \$ 4,318,599

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Manage- ment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,415,178	302,926	29,835	296,888	2,044,827
Tuition	355,036	0	0	0	355,036
Other	38,787	140,369	7,996	243,855	431,007
State sources	2,612,732	0	22	218	2,612,972
Federal sources	155,879	0	0	0	155,879
Total revenues	4,577,612	443,295	37,853	540,961	5,599,721
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,953,694	0	7,856	0	1,961,550
Special instruction	843,242	0	0	0	843,242
Other instruction	420,077	0	0	241,759	661,836
	3,217,013	0	7,856	241,759	3,466,628
Support services:					
Student services	111,562	0	337	0	111,899
Instructional staff services	188,349	0	0	0	188,349
Administration services	502,566	0	1,880	0	504,446
Operation and maintenance of plant services	497,500	0	30,687	0	528,187
Transportation services	145,194	0	8,731	0	153,925
	1,445,171	0	41,635	0	1,486,806
Non-instructional programs					
Food service operations	0	0	2,296	0	2,296
Other expenditures:					
Facilities acquisitions	0	960,597	0	0	960,597
Long-term debt:					
Principal	0	0	0	80,000	80,000
Interest and fiscal charges	0	0	0	25,500	25,500
AEA flowthrough	169,446	0	0	0	169,446
	169,446	960,597	0	105,500	1,235,543
Total expenditures	4,831,630	960,597	51,787	347,259	6,191,273
Excess(deficiency) of revenues over(under) expenditures	(254,018)	(517,302)	(13,934)	193,702	(591,552)
OTHER FINANCING SOURCES(USES):					
Transfers in	0	421,148	0	0	421,148
Transfers out	0	(144,439)	0	(276,709)	(421,148)
Sale of equipment	160	0	0	0	160
Total other financing sources(uses)	160	276,709	0	(276,709)	160
Net change in fund balances	(253,858)	(240,593)	(13,934)	(83,007)	(591,392)
Fund balance beginning of year	(24,196)	61,969	89,331	155,236	282,340
Fund balance end of year	\$ (278,054)	(178,624)	75,397	72,229	(309,052)

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (591,392)

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 1,005,701	
Depreciation expense	<u>(242,755)</u>	762,946

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		80,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		573
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		<u>17,245</u>
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Changes in net assets of governmental activities (page 14)		<u><u>\$ 269,372</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 24,655
Accounts receivable	59
Due from other governments	88
Inventories	4,970
Capital assets, net of accumulated depreciation(Note 4)	9,018
TOTAL ASSETS	<u>38,790</u>
LIABILITIES	
Salaries and benefits payable	13,119
Unearned revenues	3,202
TOTAL LIABILITIES	<u>16,321</u>
NET ASSETS	
Invested in capital assets	9,018
Unrestricted	13,451
TOTAL NET ASSETS	<u><u>\$ 22,469</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 128,194
OPERATING EXPENSES:	
Support Services:	
Administrative services:	
Services	483
Supplies	750
Operation and maintenance of plant:	
Services	1,845
	<u>3,078</u>
Non-instructional programs:	
Food service operations:	
Salaries	86,366
Benefits	14,532
Services	1,338
Supplies	150,555
Depreciation	1,734
	<u>254,525</u>
TOTAL OPERATING EXPENSES	<u>257,603</u>
OPERATING LOSS	<u>(129,409)</u>
NON-OPERATING REVENUES:	
Intermediate sources	5,000
State sources	3,698
Federal sources	130,496
Interest income	44
TOTAL NON-OPERATING REVENUES	<u>139,238</u>
Change in net assets	9,829
Net assets beginning of year	<u>12,640</u>
Net assets end of year	<u><u>\$ 22,469</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,472
Cash received from miscellaneous sources	303
Cash payments to employees for services	(102,525)
Cash payments to suppliers for goods or services	(140,816)
Net cash used in operating activities	<u>(114,566)</u>
Cash flows from non-capital financing activities:	
Intermediate sources	5,000
State grants received	3,698
Federal grants received	115,947
Net cash provided by non-capital financing activities	<u>124,645</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(775)</u>
Cash flows from investing activities:	
Interest on investments	<u>44</u>
Net increase in cash and cash equivalents	9,348
Cash and cash equivalents at beginning of year	<u>15,307</u>
Cash and cash equivalents at end of year	<u><u>\$ 24,655</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (129,409)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,461
Depreciation	1,734
Increase in inventories	(306)
Increase in accounts receivable	(59)
Decrease in salaries and benefits payable	(1,627)
Increase in unearned revenue	640
Net cash used in operating activities	<u><u>\$ (114,566)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 24,655</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$14,461.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Guthrie Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Guthrie Center, Iowa, and the predominate agricultural territory in Guthrie and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Guthrie Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Guthrie Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Capital Projects- Track Project	Special Revenue- Physical Plant and Equipment Levy	\$ 276,709
Capital Projects- Track Project	Capital Projects- LOSST	144,439
Total		<u>\$ 421,148</u>

The Special Revenue, Physical Plant and Equipment Levy Fund and the Capital Projects, Local Option Sales and Service Tax Fund transferred to the Capital Projects, Track Project Fund to help fund the track project.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 58,851	0	0	58,851
Construction in progress	98,137	863,643	0	961,780
Total capital assets not being depreciated	<u>156,988</u>	<u>863,643</u>	<u>0</u>	<u>1,020,631</u>
Capital assets being depreciated:				
Buildings	5,856,459	0	0	5,856,459
Land improvements	442,686	110,129	0	552,815
Machinery and equipment	796,838	31,929	0	828,767
Total capital assets being depreciated	<u>7,095,983</u>	<u>142,058</u>	<u>0</u>	<u>7,238,041</u>
Less accumulated depreciation for:				
Buildings	2,293,131	139,687	0	2,432,818
Land improvements	191,131	27,641	0	218,772
Machinery and equipment	536,102	75,427	0	611,529
Total accumulated depreciation	<u>3,020,364</u>	<u>242,755</u>	<u>0</u>	<u>3,263,119</u>
Total capital assets being depreciated, net	<u>4,075,619</u>	<u>(100,697)</u>	<u>0</u>	<u>3,974,922</u>
Governmental activities capital assets, net	<u>\$ 4,232,607</u>	<u>762,946</u>	<u>0</u>	<u>4,995,553</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 58,371	775	0	59,146
Less accumulated depreciation	48,394	1,734	0	50,128
Business-type activities capital assets, net	<u>\$ 9,977</u>	<u>(959)</u>	<u>0</u>	<u>9,018</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,852
Support services:	
Instructional staff services	1,099
Operation and maintenance of plant	4,504
Transportation	53,972
	<u>75,427</u>
Unallocated depreciation	<u>167,328</u>
Total governmental activities depreciation expense	<u>\$ 242,755</u>
Business-type activities:	
Food services	<u>\$ 1,734</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 550,000	0	80,000	470,000	85,000

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded debt is as follows:

Year Ending June 30,	Interest Rates	Bond issue of July 1, 2001		
		Principal	Interest	Total
2009	4.40 %	\$ 85,000	21,660	106,660
2010	4.50	90,000	17,920	107,920
2011	4.60	95,000	13,870	108,870
2012	4.70	100,000	9,500	109,500
2013	4.80	100,000	4,800	104,800
Total		<u>\$ 470,000</u>	<u>67,750</u>	<u>537,750</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$176,822, \$156,658, and \$148,053, respectively, equal to the required contributions for each year.

(7) Risk Management

Guthrie Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$169,446 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

As of June 30, 2008, costs of \$850,469 had been incurred for the construction of the track project. When the construction is completed, these items will be added to the fixed asset listing.

(10) Deficit Fund Balance

At June 30, 2008, the General Fund had a deficit undesignated fund balance of \$386,081 and the Capital Projects Fund also had a deficit undesignated fund balance of \$178,624.

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL- ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,830,870	128,238	2,959,108	2,888,449	2,888,449	70,659
Intermediate sources	0	5,000	5,000	0	0	5,000
State sources	2,612,972	3,698	2,616,670	2,761,432	2,761,432	(144,762)
Federal sources	155,879	130,496	286,375	325,000	325,000	(38,625)
Total revenues	5,599,721	267,432	5,867,153	5,974,881	5,974,881	(107,728)
Expenditures:						
Instruction	3,466,628	0	3,466,628	3,763,890	3,763,890	297,262
Support services	1,486,806	3,078	1,489,884	1,698,400	1,698,400	208,516
Non-instructional programs	2,296	254,525	256,821	300,000	300,000	43,179
Other expenditures	1,235,543	0	1,235,543	767,336	1,367,336	131,793
Total expenditures	6,191,273	257,603	6,448,876	6,529,626	7,129,626	680,750
Excess(deficiency) of revenues over(under) expenditures	(591,552)	9,829	(581,723)	(554,745)	(1,154,745)	573,022
Other financing sources, net	160	0	160	0	0	160
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(591,392)	9,829	(581,563)	(554,745)	(1,154,745)	573,182
Balance beginning of year	282,340	12,640	294,980	657,049	657,049	(362,069)
Balance end of year	\$ (309,052)	22,469	(286,583)	102,304	(497,696)	211,113

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$600,000.

OTHER SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue				Total
	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 0	29,605	29,605	41,648	71,253
Receivables:					
Property tax:					
Delinquent	3,980	0	3,980	2,175	6,155
Succeeding year property tax	204,516	0	204,516	107,160	311,676
TOTAL ASSETS	\$ 208,496	29,605	238,101	150,983	389,084
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts	\$ 0	5,179	5,179	0	5,179
Deferred revenue:					
Succeeding year property tax	204,516	0	204,516	107,160	311,676
	204,516	5,179	209,695	107,160	316,855
Fund balances:					
Reserved for debt service	0	0	0	43,823	43,823
Unreserved fund balances	3,980	24,426	28,406	0	28,406
	3,980	24,426	28,406	43,823	72,229
TOTAL LIABILITIES AND FUND BALANCES	\$ 208,496	29,605	238,101	150,983	389,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue			Total	
	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 190,846	0	190,846	106,042	296,888
Other	1,153	241,917	243,070	785	243,855
State sources	141	0	141	77	218
TOTAL REVENUES	192,140	241,917	434,057	106,904	540,961
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	0	241,759	241,759	0	241,759
Other expenditures:					
Long-term debt:					
Principal	0	0	0	80,000	80,000
Interest and fiscal charges	0	0	0	25,500	25,500
TOTAL EXPENDITURES	0	241,759	241,759	105,500	347,259
EXCESS OF REVENUES OVER EXPENDITURES	192,140	158	192,298	1,404	193,702
OTHER FINANCING USES:					
Transfers out	(276,709)	0	(276,709)	0	(276,709)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(84,569)	158	(84,411)	1,404	(83,007)
FUND BALANCE BEGINNING OF YEAR	88,549	24,268	112,817	42,419	155,236
FUND BALANCE END OF YEAR	\$ 3,980	24,426	28,406	43,823	72,229

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	1,078	1,078	0
Drama	3,647	2,358	2,247	3,758
Odyssey of Mind	2,255	0	165	2,090
Vocal Club	5,859	11,491	16,119	1,231
Band Club	(3,552)	10,118	9,470	(2,904)
Basketball	2,467	28,139	23,742	6,864
Track	(6,000)	7,905	10,716	(8,811)
Cheerleaders	311	8,013	6,273	2,051
Football	0	13,526	10,739	2,787
Baseball/Softball	(3,651)	6,233	10,411	(7,829)
Wrestling	508	16,191	22,853	(6,154)
Volleyball	(3,072)	7,478	7,852	(3,446)
Summer Little League	5,011	2,051	4,452	2,610
FFA	832	25,897	24,826	1,903
FCCLA	0	5,270	5,270	0
Honor Society	769	640	787	622
Student Council	2,969	2,264	3,819	1,414
Foreign Language	536	0	0	536
Art Club	968	607	330	1,245
Yearbook	(4,024)	18,022	13,221	777
Change Fund	(470)	840	370	0
General Fund	1,736	6,983	5,287	3,432
Student Activities	1,609	4,528	4,076	2,061
Marketing	85	2,704	2,663	126
Weightlifting	212	0	0	212
JH Student Council	3,235	890	2,502	1,623
Extra Curricular	(1,281)	14,065	12,163	621
Elementary Fund	6,977	30,144	26,005	11,116
Class of 2006	169	0	169	0
Class of 2008	5,026	2,091	7,117	0
Class of 2009	534	11,539	7,037	5,036
Class of 2010	603	652	0	1,255
Class of 2011	0	200	0	200
Total	\$ 24,268	241,917	241,759	24,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	Track Project	Local Option Sales and Services Tax	Total Capital Projects
ASSETS			
Accounts receivable	\$ 0	115,939	115,939
LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of warrants over bank balance	\$ 42,300	0	42,300
Accounts payable	36,689	0	36,689
Loans payable	215,574	0	215,574
Total liabilities	294,563	0	294,563
Fund balances:			
Unreserved	(294,563)	115,939	(178,624)
Total fund balances	(294,563)	115,939	(178,624)
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	115,939	115,939

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008

	Track Project	Local Option Sales and Services Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	302,926	302,926
Other	140,369	0	140,369
Total revenues	140,369	302,926	443,295
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	850,469	110,128	960,597
Excess(deficiency) of revenues over(under) expenditures	(710,100)	192,798	(517,302)
OTHER FINANCING SOURCES(USES):			
Transfer in	421,148	0	421,148
Transfer out	0	(144,439)	(144,439)
TOTAL OTHER FINANCING SOURCES(USES)	421,148	(144,439)	276,709
Net change in fund balances	(288,952)	48,359	(240,593)
Fund balance beginning of year	(5,611)	67,580	61,969
Fund balance end of year	\$ (294,563)	115,939	(178,624)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,044,827	2,058,026	1,896,372	1,787,200	1,673,830
Tuition	355,036	365,542	346,632	312,103	270,742
Other	431,007	290,594	307,241	371,945	344,208
State sources	2,612,972	2,270,100	2,411,023	2,151,274	1,917,582
Federal sources	155,879	227,259	186,001	209,267	331,065
Total	\$ 5,599,721	5,211,521	5,147,269	4,831,789	4,537,427
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,961,550	1,818,112	1,753,552	1,785,551	1,779,400
Special instruction	843,242	695,899	717,294	595,563	593,548
Other instruction	661,836	681,401	588,608	697,022	500,945
Support services:					
Student services	111,899	115,251	103,558	92,388	108,849
Instructional staff services	188,349	228,469	240,937	116,313	101,570
Administration services	504,446	465,832	452,914	444,608	437,730
Operation and maintenance of plant services	528,187	475,794	474,363	416,550	374,308
Transportation services	153,925	260,908	190,673	212,761	109,573
Non-instructional programs:	2,296	2,067	2,646	0	0
Other expenditures:					
Facilities acquisitions	960,597	384,108	190,708	257,539	100,891
Long-term debt:					
Principal	80,000	75,000	80,000	75,000	70,000
Interest and fiscal charges	25,500	28,651	31,930	34,968	37,667
AEA flow-through	169,446	157,855	151,690	139,824	135,150
Total	\$ 6,191,273	5,389,347	4,978,873	4,868,087	4,349,631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Guthrie Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Guthrie Center Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie Center Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guthrie Center Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Guthrie Center Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Guthrie Center Community School District's financial statements that is more than inconsequential will not be prevented or detected by Guthrie Center Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Guthrie Center Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

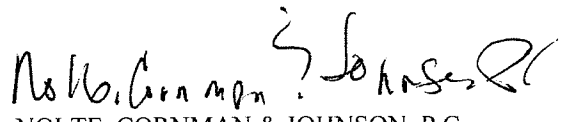
As part of obtaining reasonable assurance about whether Guthrie Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Guthrie Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Guthrie Center Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Guthrie Center Community School District and other parties to whom Guthrie Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Guthrie Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - We will implement and start having the Board President sign all contracts as soon as possible.

Conclusion - Response accepted.

- I-C-08 Gate Admissions - During our audit we noted that ticket takers at District events don't reconcile the amount of cash taken in to the number of tickets sold.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will investigate and implement proper procedures.

Conclusion - Response accepted.

- I-D-08 Bank Reconciliations - We noted during our audit that the bank reconciliations for the Student Activity Fund and the Nutrition Fund included several NSF checks.

Recommendation - The District should consider adjusting the NSF checks out of the cash account. However, the District should continue to try to collect the funds.

Response - We will implement as soon as possible.

Conclusion - Response accepted.

- I-E-08 Accounts Payable Procedures - We noted during our audit that a payment from the Student Activity Fund to Cherrydale Farms was paid from a statement instead of an invoice.

Recommendation - The District should review its procedures to ensure they are paying bills from invoices rather than statements.

Response - We will watch and ensure that we only pay from invoices.

Conclusion - Response accepted.

I-F-08 Travel Reimbursements - We noted during our audit an instance of a travel expense reimbursed from a credit card bill rather than a detailed receipt.

Recommendation - According to District policy, employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses or that expense will become the employee's personal expense and will not be reimbursed. The District should follow their policy and require receipts before expenses are reimbursed.

Response - We will require employees to turn in detailed receipts for credit card and expense reimbursements.

Conclusion - Response accepted.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary Spouse owns Rees Repair	Repairs	\$339
Ed Langgaard, Board member	Officiating and Bus duty	\$1,348
Ron Baier, Custodian	Supplies	\$244

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with Ron Baier and the spouse of Joni Rees do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Ed Langgaard do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's custodian does not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The General Fund had a deficit undesignated fund balance of \$386,081 and the Capital Projects Fund had a deficit undesignated fund balance of \$178,624. The Student Activity Fund had five deficit accounts totaling \$29,144.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position. The District should consider adopting a line item budget using the accounting software for the General Fund. Although Districts are not required to use a line item budget, the benefits to financial management make using one desirable.

Response - We will carefully monitor these deficit accounts in the future and try to develop a way to eliminate the deficits.

Conclusion - Response accepted.

II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We have requested this from our bank repeatedly and they have not always provided this service on every cancelled check.

Conclusion - Response acknowledged. The bank may serve as a custodial agent of the cancelled checks. If the District decides to use the bank in this capacity, an agreement should be entered into identifying retention requirements as well as costs of retrieval.